

HRACRE'S TOP DEALS OF THE YEAR 2005

INSIDE BUSINESS is pleased to join the Hampton Roads Association for Commercial Real Estate in presenting the 2005 Deals of the Year Awards. This is the third year HRACRE has presented awards marking the largest commercial real estate deals in leasing and sales in the previous year.

The honors started in 2004 at the urging of Scott Adams, regional president of CB Richard Ellis, who helped put together the project with the help of a committee of judges, all experts within the local commercial real estate industry. The judges have been involved since the project started except for a new member this year, Dave Redmond of Divaris Real Estate Inc. The committee members organize the event, seek nominations, review and validate them and select the winners. It's the industry's way of recognizing what really matters - making the deal.

The awards recognize the largest

sales of industrial, office, multifamily, retail, land and this year a new special-interest category, which involved the sale of two hotels. Awards are also given for the largest leases for office multistory, single-story and retail space. Awards are given to the company that makes the deal, but buyers, sellers and owners were also honored when the awards were presented Feb. 16 at the Norfolk Airport Hilton. Special attention is given to the brokers and their efforts because they were the ones who diligently sought to make the transactions happen.

To be considered, the deal had to occur in Hampton Roads and be completed between Jan. 1, 2005, and Dec. 31, 2005. Nomination materials had to include information about the sale or lease, including the monetary value, which was the overriding, deciding factor of the top deal designation. Leases for retail and office and land sales had to be at least

\$2 million to be considered. Industrial lease deals had to be worth \$1.5 million or greater to enter and other sales had to be \$5 million or greater. While there may have been deals of higher value in the market, those involved weren't willing to share the information and therefore could not be given an award. The value considered was that of the transaction, not the value of the property once developed.

The top deals are profiled in the following pages. These honors are meant as a way to celebrate the achievements of the commercial real estate industry in the past year and to encourage the brokers, buyers, sellers and owners to make deals this year that will be even better so they can be honored for their efforts in 2006.

- Carol Lichti
Editor
INSIDE BUSINESS

CONTENTS

OFFICE SALES	3
OFFICE LEASES MULTISTORY	4
OFFICE LEASES SINGLE-STORY	5
INDUSTRIAL SALES	6
INDUSTRIAL LEASES	7
RETAIL LEASES	8
RETAIL SALES	8
LAND SALES	9
MULTIFAMILY SALES	10
SPECIAL INTREST	11

INDUSTRIAL SALE TOP DEAL OF THE YEAR

Former Gateway Building

Hampton
\$14.01 million
421,000 square feet
Scott Adams and Patrick Gill
CB Richard Ellis
Seller: Gateway Inc.
Buyer: First Potomac Realty Trust

By PHILIP NEWSWANGER

At \$14.01 million, the sale of the 421,000-square-foot former Gateway office and distribution center in Hampton was 2.4 times the top sale for 2004.

The sale is significant for two reasons. One, it marked another purchase in Hampton Roads for First Potomac Realty Trust, a real estate investment trust based in Bethesda, Md., and, secondly, it shows that outside investors are keenly aware of the demand for industrial space in the region.

"The state-of-the-art office and warehouse facility is readily leaseable to market tenants," said Scott Adams, regional president of CB Richard Ellis. "The large contiguous vacancy represents a tremendous value creation that First Potomac believes in, especially given all their success in the market."

CBRE is also the leasing agent for the facility and represents First Potomac in most of its leases and purchases in Hampton Roads.

Gateway devoted the first floor to assembly and distribution of computers and the second floor, a call center and a cafeteria.

First Potomac is flexible. It will consider leasing all or portions of the facility, adding more dock doors and entrances, although the company has said that it would be ideal to lease the space to five or six tenants. The facility was built in 1996 and includes 127,000 square feet of office space, 294,000 square feet of warehouse space and 1,200 parking spaces, with room to expand by another 500 spaces.

First Potomac and CBRE held an open house in December to introduce the facility to the region's brokers.

A little incentive helps. First Potomac is offering a 4 percent commission and a \$10,000 American Express gift card to brokers who bring the company a contract for 100,000 square feet and a five-year commitment. Brokers would get a \$5,000 American Express gift card for a second deal.

First Potomac is asking \$9.50 triple net per square foot for the office space and \$5.50 for the industrial space. Build-out costs will depend on customer demand and may increase



the base rent. Rent for industrial space ranges from \$7.30 per square foot to \$4 per square foot in this submarket.

First Potomac got its start in the early 1990s renovating spaces like Gateway and turning them into office and warehouse complexes.

Some of its projects include the conversion of Drug Fair's headquarters

in Alexandria for 16 tenants and a 250,000-square-foot facility in Culpeper for four tenants.

The Gateway purchase followed the purchase of a 120,000-square-foot warehouse and a 62,175-square-foot office facility for \$12.1 million on Lucas Way in Hampton, about a mile away from the Gateway facility.

INDUSTRIAL LEASE TOP DEAL OF THE YEAR

Gateway West Park Campus

Hampton

515,486 square feet

Ashton Williamson

CB Richard Ellis

Biff Smith, Collins Commercial

Owner: Gateway Cos.

Tenant: NYK Logistics



By PHILIP NEWSWANGER

Have you ever negotiated a contract with a Japanese company? If not, you might want to ask Ashton Williamson of CB Richard Ellis for some tips.

He was able to cement a five-year lease with NYK Logistics Inc., a logistics company whose parent, NYK Group, is headquartered in Japan, for 515,486 square feet at the Gateway West Park Campus, a 37-acre site in Hampton.

But it wasn't a stroll in the park. "It was more difficult because of the number of decision-makers in the United States and all over the globe, and coming to agreement on the terms,"

Williamson said.

The lease passed through the hands of NYK officials in three offices - New York, Santa Clara, Calif., and Japan - for revisions. That took some time.

Dock doors were the sticking point. As a packager and distributor of goods, NYK Logistics needs as many dock doors as possible to move cargo in and out of warehouses by truck quickly.

"That's what really landed them here," Williamson said. "If that complex didn't have the doors, they wouldn't have come here."

Brokers specializing in industrial space complain that the region lacks warehouses with high bay doors and multiple dock doors, giving them less product to show potential customers.

The problem escalates as the port continues to grow and attract more logistics companies to Hampton Roads.

NYK subleases the two buildings at 300-500 West Park Ln. from the Gateway Cos. The property owner contact is CRESA Partners of Orange County LP of Newport Beach, Calif.

"We had a number of good tenants interested in the space, but NYK came to the table," Williamson said.

NYK is using radio frequency, dubbed WhereNet, at the facility for locating shipments and improving management of its storage yard to automate and expedite shipments for the Target stores, as reported in Supply Demand Chain Executive.

NYK expects to increase its cross-docking efficiency by 70 percent and its daily throughput by 30 percent using WhereNet.

The NYK Logistics Norfolk facility will process more than 28,000 inbound ocean freight containers and 20,000 outbound trailers each year, the publication said. The facility includes more than 500 parking slots with 92 dock doors. During peak season - late summer through early fall - the facility will process more than 800 gate moves a day.

NYK Group was founded in 1885. The group has more than 30,000 employees worldwide. The logistics arm of NYK generates \$3.3 billion in revenues.



MULTIFAMILY TOP DEAL OF THE YEAR Lake Ridge Apartments

Hampton
\$34.34 million
282 units
Drew White, Cushman & Wakefield
Seller: Boyd Homes
Buyer: Berkshire Property Advisors

By STACEY KLEMENC

When Boyd Homes began to build an upscale apartment complex on a parcel of 14 acres in Hampton that it had owned for many years, the project was an overnight success. Before the company could even finish the first group of buildings, calls began to pour in from folks who were interested in buying Lake Ridge Apartments, recalled David Rudiger, president.

"We initially had every intention to build and hold onto it," he said about the 282-unit gated community. "But with so many offers, we decided to consider them."

Lucky for Boyd, as it turns out, the initial deal fell through. "We had lots of people telling us we were selling too low," Rudiger explained. So when Drew White of Cushman & Wakefield, a global real estate firm headquartered in New York, came knocking on the door and said he thought he could get a price approaching \$35 million, "I told

him to go forth and do it," he said with a laugh.

And White did.

"It was a rather complex transaction," White said, "as it had numerous moving parts." For one, there was a master lease to hedge the new owner from lease-up risk while the property stabilized. The deal also involved the presale of additional units yet to be built and improvements to existing structures. And, as a result of this sale, a joint venture partnership was integrated between the buyer and seller for an additional multifamily project elsewhere.

"Cushman & Wakefield did a superb

job of marketing this property," Rudiger said. "Others didn't have the faith to make happen what happened. Drew had a belief in his ability and this project. We could not have been more pleased with the outcome."

"When I saw this one going up, I knew it would be a great sale," White said, as there was a definite need in the area for an upscale product. The apartments featured higher interior amenity levels such as upgraded appliances, countertops and cabinets, as well as sound-deadening components and garage units. The community includes a clubhouse with state-of-the-art exercise equipment, a

walk-in gradual sloping pool and a business center with high-speed Internet access and various machinery.

The buyer, Berkshire Property Advisor, had recently purchased the Bridgewater Apartments immediately adjacent to Lake Ridge, which made the latter all the more attractive.

The deal was the largest apartment sales transaction in terms of overall dollars in 2005, White said, and more. "It was also the highest price per unit in 2005, the highest price per unit ever on the Peninsula and the third or fourth highest overall in the history of the market."





OFFICE LEASE MULTISTORY TOP DEAL OF THE YEAR

Hampton Roads Research Quad III

Hampton

72,365 square feet

Jay Joseph and Ed Salyers

GVA Advantis

Owner: Craig Davis Properties Inc.

Tenant: GSA-U.S. Air Force



By PHILIP NEWSWANGER

Jay Joseph and Ed Salyers are patient men. It took the GVA Advantis brokers five years to strike a deal with the U.S. Air Force for 72,365 square feet at the Hampton Roads Research Quad, one mile from the main gate of Langley Air Force Base and NASA/Langley in Hampton.

But Building III of the Research Quad, to be occupied by the fourth quarter of this year, is the real center of attention. It's the first building in the region compliant with anti-terrorist standards for government and military buildings, known as the Unified Facilities Criteria.

To prevent a repeat of the Oklahoma City bombing, Building III is constructed with reinforced steel and concrete, the

parking lot is 150 feet away from the building, and there are no overhangs or atriums. These are some of the things required by the government to make the building bomb-resistant and to prevent progressive collapse, as happened in Oklahoma City.

Complying with the government's requirements was the deal-maker, Joseph said.

"It enabled the Air Force to lease the space," he said. "If we hadn't met the criteria, we wouldn't have been able to lease the space."

An \$18 million investment, Building III will house the Air Force Command and Control Intelligence, Surveillance and Reconnaissance center on the first three floors. The Air Force joins the National Institute of Aerospace University

Consortium in Building I in the HR Research Quad.

The center researches and tests tools and technologies for the Air Force. The center is temporarily housed at the NIA in 20,000 square feet.

The Research Quad is a 50-acre development within Hampton Roads Center North in Hampton targeting aerospace, research and high-tech companies. Craig Davis Properties is developing it. Plans call for 300,000 square feet of research and office space in five buildings. The Air Force facility is the second building in the Research Quad.

"The Air Force was looking for a way to free up a series of buildings on base," Joseph said. The Air Force has a 15-year plan to vacate buildings on base and then renovate them.

"We have been talking about an off-base building for five years," Joseph said.

Steve Mallon of Craig Davis Properties and Joseph represented the developer, Craig Davis Properties, and the General Services Administration represented the Air Force.

Hourigan Construction was the general contractor and HagerSmith Design of Raleigh was the architect.